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# DESIRABLE ADDITIONS TO STATISTICAL DATA ON WEALTH AND INCOME

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## I.—THE GENERAL CHARACTERISTICS OF AVAILABLE STATISTICS

As soon as one essays the task of analyzing existing information concerning American wealth and income and their distribution, he is quickly faced by the fact that, in almost every instance, the data is strikingly incomplete. But this scantiness of desired figures does not come to pass because of any shortage in the effort which has been expended in the collection of statistics. My limited experience has convinced me that there is no subject under the sun concerning which facts have not been tabulated. Should you desire to know the number of grains of sand in the sea-bottom, the number of salmon caught in the Columbia, or the number of "suckers" caught by "blue-sky" corporations, the figures have been computed. If you are curious to ascertain how many days labor it took to build the pyramids, how many germs you consumed at this morning's breakfast, or how many times per page Shakespeare used the word "and," rest assured that the data are awaiting your examination. But, as a prominent advertisement used to read, "It is not so much to know the law as to know where to find it," and most of this marvelously varied collection of statistical information is buried far beyond the depths to which catalogues, dictionaries, or bibliographies give the slightest clues.

There is, then, rather a superabundance of statistical, or pseudo-statistical, information reposing in our libraries; but should we be interested in the problems connected with the wealth and income of the American people, we soon discover that the figures which we desire are not obtainable in any continuous or systematized form. And this may be said without in any way disparaging the able officials who have been in charge of the census and our statistical bureaus. The funds at their disposal are distinctly limited and they can only collect data concerning facts for which they believe the demand is most general. In order to assure continuity, which is such an essential feature if statistics are to prove of value, it is imperative to follow rather closely in the footsteps of one's predecessors, and, hence, the nature of the material gathered is largely determined by the forms outlined many years ago to meet the demands of that day.

Besides, the chief of the census bureau or the statistical office would need the gift of second sight to anticipate the thousand and one ideas which some one or another will attempt to elucidate or demonstrate by the help of the official figures. If a statistical problem of any intricacy is to be solved accurately it is nearly always imperative that the data must be gathered with this specific end in view. If, however, the government collects its figures for this particular purpose they are often too highly specialized to prove of any great utility in answering other questions. Is there any escape from this dilemma?

In so far as it is practicable, it appears that the solution of special problems should be left to private statisticians or organizations and that the government should continue to collect the raw material with which these private investigators begin their researches. But there are some specific problems which are too costly to be undertaken at individual expense and yet, at the same time, are of too great public importance to be left to private initiative. If light is to be thrown upon such questions it must be done principally through governmental assistance, and there appears to be no sufficient reason why this should not be forthcoming.

Our federal Bureau of the Census has properly devoted itself in most instances to the collection of information of a broad general nature. The other bureaus of the national and state governments sometimes have imitated the Bureau of the Census in this respect but sometimes they have gone to the other extreme and have engaged in the most highly detailed investigations in some limited field. This procedure is to be commended although it seems occasionally that some improvements might well be made in the selection of the special problems. Whenever it is deemed advisable to enter such narrow fields, it is desirable that the problems to be solved should be those in which large numbers of people are interested or those which vitally concern the national welfare.

The federal and state bureaus of labor present hundreds of volumes of figures concerning the wages of laborers, the extent of unemployment, and the prices of various articles, but should you attempt to find a continuous and comparative record in any governmental document showing whether the price per hour of labor is advancing faster for farm hands or for miners, for railway employees or for clerks in stores, you would seek in vain. Should you desire to know whether the price of house rents tends to keep

pace with the price of food, information would prove most scanty. Should you hope to ascertain whether union men or non-union men were more frequently unemployed, you would be disappointed.

A tremendous amount of effort has been expended in studying questions of merely local or temporary interest and very little headway has been made in coördinating these scattered endeavors, uniting the results, and presenting them to the public in a simple and intelligible form. For example, the United States Bureau of Labor collects data on wages in the manufacturing field; so does the Census; so do the labor bureaus of some of the states. At the same time, it is most difficult to find any continuous records of the wages of miners, farm hands, clerks, domestic servants and other very numerous and important classes of workers. In some instances, wages are given by the hour, in some by the day, in some by the week, and occasionally by the month or year; but only rarely are we informed as to the average number of hours worked in any of the longer periods, hence accurate comparison is manifestly impossible.

According to my perhaps archaic views, energy too frequently has been expended in trying to demonstrate perfectly obvious facts. We all know from common observation that many men receive such low wages that they cannot support their families in comfort. It is also perfectly evident that the poorer families spend their *entire* income for something—and these facts are apparently the leading ones that have been developed by many of the recent budgetary studies. The difficulty seems to be that many specialized inquiries are undertaken without first clearly defining the problem to be solved and, in every such case, the usefulness of the results is likely to approach zero.

It is probably too iridescent a dream to ever attain reality, but it would certainly be most helpful if the collection of all statistics of a given type might be centralized in some one bureau and published in standardized form from month to month and year to year. Before beginning operations, this bureau should devote very much time and energy to ascertaining exactly what problems scientific men believed most in need of elucidation and, having formulated these problems in the most exact fashion, it would then be the work of the statisticians to devise ways and means of solving these. It would seem that the talent of both the Associations here represented might very well be utilized in framing the new topics of investigation upon which they believe further knowledge

is most vital and in devising ways and means for attaining this end.

I shall take the liberty now of suggesting certain fields of inquiry which seem fertile and yet inadequately tilled at the present time.

## II.—WEALTH AND ITS DISTRIBUTION

One query to which it seems that a more exact answer is generally desired is: How is wealth distributed among American families and how is this distribution changing?

The Massachusetts studies of estates throw most interesting light upon this question. Studies from probate records are necessarily limited in scope because they show wealth only at the termination of life and because the estates of the greater share of decedents are never probated. The latter is, of course, the much more serious defect. But neither of these objections seriously affects the usefulness of such data as a gauge of *changes* in distribution. A quarter of a century has elapsed, however, since the last period reported upon by the Massachusetts Bureau, and it would certainly seem worth while to have the series of comparisons so admirably begun brought down to date. Similar investigations in New York and a few sample states in other sections of the country would doubtless add most valuable information.

The tax rolls are the basis of existing census figures concerning the aggregate value of the wealth of the people of the United States. The attempt to adapt to this purpose the valuations set by assessors is always destined to meet with only partial success. Values for purposes of taxation are habitually underestimated. The plan of correcting this underestimation by dividing by some assumed ratio of assessed to true value will always be a crude method at best. In most communities, this ratio has never been worked out, and in but few places is it determined with even a reasonable approach to accuracy.

Another serious objection to using local tax reports as a basis of wealth estimation is that it is usually impossible to obtain therefrom any idea whatever of the distribution of property among families or individuals. Taxes are collected, not as a basis for statistical information, but in order to obtain funds, and, hence, the local or state authorities take little account of anything but totals. For these two reasons, therefore, it appears that any adequate statistics of existing wealth distribution must be obtained through the ordinary schedules of the decennial census. Errors from inquiries of this nature will doubtless be very numer-

ous but they will tend to be compensating. Many men, because of habitual secrecy and reticence concerning their business affairs will report their assets far below normal. Others, however, will exaggerate in order to magnify their own importance. As to which instances will occur more frequently, it is hard to say but, at any rate, there will be a noticeable tendency for errors to cancel out. The same facts would be true as regards reported liabilities, though the tendency in this case would presumably be stronger to under- than to over-estimation.

The first step in the census inquiry would be the drafting of the best possible question schedule. Much careful study would be needed before the final forms were ready for the printer. The following outline is suggested as a rough tentative classification of the various categories of wealth belonging to each individual:

I. Assets

A. Indirect Natural Resources

1. Land

- a. Farms
- b. Urban business sites
- c. Miscellaneous varieties

2. Mines

3. Miscellaneous

B. Transition or Capital Goods

1. Buildings

2. Machinery and equipment

3. Live stock

4. Raw materials

5. Dealers' stocks

6. Miscellaneous

C. Direct or Consumption Goods

1. Residence and park land

2. Houses, hotels, theatres, churches, etc.

3. Furniture, clothing, jewelry and miscellaneous

D. Claim Goods

1. Notes, mortgages, bonds, etc.

2. Stocks

3. Insurance policies—cash surrender value

4. Miscellaneous

II. Liabilities

A. Current accounts

B. Short-term notes

C. Bonds and notes secured by mortgage

D. Miscellaneous

Our inhabitants are already required to give much of this information so that the new questions to be added to the schedule

would not be numerous. If it is feasible to learn the value of farm land, factories, etc., it likewise seems probable that similar knowledge can be gathered concerning holdings of stocks, bonds, and other securities.

Once the data was collected, the next problem would be its classification on a logical basis. To determine what is logical we must first decide upon the questions which it is most imperative to answer. As previously stated, such a decision as this would seem to be a legitimate function of such organizations as the American Statistical and Economic Associations and should, of course, be arrived at only after most mature consideration. As topics at least worthy of mention, I would suggest studies of the relationship between the net assets of the family and (1) the size of family, (2) the age of head of family, (3) race, (4) nationality.

It may be well to devote a few words to the reasons for each of these classifications.

The first would throw light upon such questions as the following: (1) Does great wealth mean larger or smaller families? (2) Does a large family necessarily lead to poverty? (3) How does wealth in general tend to vary with the size of the family?

The second classification would help in answering this query: Do we have a normal tendency in the United States for a man to accumulate property as he grows older? If so, at what rate? Do all classes of the population participate in this tendency?

The third classification would be necessary in order to separate out the white race so as to obtain a fair basis for answering the questions just propounded. It would also be of interest in enabling us to compare the Caucasian and Negro races and, if the inquiry were continued decade after decade, the relative economic progress of whites and blacks might thus be measured with a reasonable degree of accuracy.

The fourth classification on the basis of nationality is one which might be elaborated indefinitely, if funds were adequate, or, on the contrary, it might be confined merely to the comparison of property holdings of those persons who were native born of native fathers, who were native born of foreign fathers, and who were foreign born. This simpler analysis would probably answer the requirements of most investigators and would immensely reduce the extent of tabulation necessary.

Many other classifications and lines of inquiry would doubtless suggest themselves to nearly every economist and the above are offered only as being among those which would perhaps have the widest appeal.

### III.—THE AGGREGATE NATIONAL INCOME AND ITS DISTRIBUTION

A study of wealth distribution is interesting because it deals with the rights of control. Property necessarily means economic power and is ordinarily the key to other kinds of power as well. A man's control over his own time, over his own freedom of movement from place to place, over the activities of other men, over the uses to which goods shall be put, in short, over the whole modern system of production varies directly and almost proportionally with the value of the property rights which he possesses. To the ambitious man who believes that leadership is the only worthy goal or to that political scientist who considers governmental control the chief end of human progress, a study of property distribution seems most vital. On the contrary, to those who think more of immediate economic welfare, who are interested in the comforts and conveniences of every-day life, the question of wealth or property may seem of little import. Such persons will naturally turn their attention to the various types of income rather than to wealth.

The kind of income with which people are most vitally concerned is, of course, real or psychic income. Thus far, however, this particular species has successfully defied all attempts at accurate statistical measurement. Apparently, the commensurable phenomenon which most nearly resembles psychic income in the nature of its variations is income in purchasing power, and this is merely a calculation of what book or money income would be if the price level never varied. Since, in reality, the price level is always fluctuating, we can only measure income in purchasing power by computing an average index of the prices of things which some designated class of persons actually purchases and then compare the average relative price changes in these commodities with the average relative changes in the book or money incomes of the persons composing the class in question. In short, we attempt to measure the supply of economic goods available for a given person or class by means of the roundabout device of introducing commensurable money values into both terms of a ratio with the knowledge that the monetary factor will cancel itself and disappear.

If, therefore, we desire to add anything worth while to our existing knowledge concerning income distribution or changes, we can only hope to succeed by improving our data concerning book or money incomes and various kinds of indices of prices.

In the United States, the only available source of information concerning income distribution among the wealthier classes is contained in the reports on the income tax. This is necessarily faulty because of the natural tendency to evade the burden of taxation. The federal law exempts incomes to such an extent as to make it throw light only on the receipts of the relatively wealthy. The Wisconsin law varies the exemption with the size of the family thus making it very difficult to utilize the data. By going back to the original records, Professor Henry M. Trumbower, now a member of the Wisconsin Railroad Commission, was able to regroup the cards in such a way as to show the reported incomes including exemptions. However, since married men with incomes of \$1200 or under are not required by the Wisconsin law to file schedules, and since these comprise the majority of heads of families, it is manifestly impossible to arrive at any complete classification. It is not an entirely safe assumption anyway to suppose that Wisconsin fairly represents the other forty-seven states of the Union in income distribution, even though we know that it is an average state in many respects.

If we now turn to the problem of estimating income distribution among the poorer classes, we find here, likewise, but few accurate indicators. The investigations of the United States Bureau of Labor in 1903, the study by the British Board of Trade in 1908, the wage distribution recorded by the Census of Manufactures in 1905, and numerous but scattered inquiries in narrow fields throw much light upon the subject, but the statistician is nevertheless compelled to make many rather sweeping assumptions on rather slender bases before he can piece together a curve or table picturing income distribution among working class families.

Still further assumptions and generalizations are necessary before the curve for the working class can be coupled onto that for the well-to-do and rich, thus completing the money income distribution curve for the United States as a whole.

The problem of estimating total income for the people of the nation is relatively more simple but cannot be accomplished with any high degree of accuracy by use of the existing data. Three separate lines of attack are available: first, the estimation of total consumption; second, the summing of incomes of all individuals; and third, the calculation of the total annual product. Were these three quantities all computed with accuracy, it is evident that the last two would be identical and that the first would be

larger or smaller than the others according to whether the inventory of accumulated goods on hand was diminished or increased during the period considered.

To estimate total consumption, it is necessary to differentiate between goods used directly and goods used indirectly. It is necessary to evaluate the services of durable consumption goods and the direct services of persons. This includes such nice problems as estimating the value of poultry, vegetables, fruit, etc., consumed on farms; the aggregate rental value of residences, and the amount spent for entertainment. Such estimates generally consist in little more than assuming as the correct figure the mid-point between possible limits of error.

Total book income for the nation can be estimated with a higher degree of accuracy than can total consumption. The former may be approximated by adding together estimated individual book incomes. Data concerning average wages in different occupations is quite abundant and the census gives us a fair idea of the average number of persons following each calling. But even this process is not free from difficulties. Laboring families obtain much of their income from property owned, by renting rooms, by keeping boarders, etc. About the only study throwing enough light to be worth mentioning upon these supplementary income sources is the Eighteenth Annual Report of the Bureau of Labor, and this is thirteen years old. It is possible that conditions have changed noticeably during this interval. Add to this difficulty the presumable underestimation of incomes in the federal and state tax lists of the wealthier classes and also the lack of information concerning the vast numbers of persons such as farmers and small merchants who are not employees and are still too poor to pay an income tax, and the apparent simplicity of the problem becomes less evident.

The last recourse, then, in attempting to ascertain total national income is to turn to data on production. It is possible to find recorded values for most of the raw material and to trace the various value additions successfully until the finished product finally emerges. But even this route is by no means all smooth sailing. We know the value added by manufacture and by transportation, but what about the value added by the great mercantile class? True, data is gradually accumulating concerning the fraction of the final selling price going to remunerate this function of adding time utility to goods but it is still complete in only a few

lines. Likewise, the value of product contributed by personal servants, by the use of residences, churches, theatres, public buildings, etc., is nowhere accurately recorded. Yet, with all its defects, this is by far the easiest path to follow.

Would it not, however, be advisable for the Census Bureau to make direct inquiries concerning individual, family, and corporate income? Would it not be advisable to classify this income rather carefully as to source using a classification somewhat like the following?

NET BOOK INCOME CLASSIFIED AS TO SOURCE

1. Rent of land
  - a. Farm land
  - b. Mines
  - c. Urban land
  - d. Miscellaneous natural resources
2. Rent of transition or capital goods
  - a. Business buildings and equipment
  - b. Residences
  - c. Miscellaneous
3. Income from securities
  - a. Shares in partnerships or corporations
  - b. Notes, bonds, etc.
4. Income from wages or salaries
5. Net entrepreneurial profits
6. Miscellaneous income

It would be highly desirable, also, if we could learn something about the annual savings or deficit in the family finance, but it seems improbable that this difficult task could safely be added to the already heavy and intricate burdens of the census enumerator. Some will doubtless affirm that any inquiries concerning income are too inquisitorial to be entrusted to these functionaries with any hope of getting accurate results. The strength of this position is lessened by the fact that the class of people most reticent about their financial affairs have become accustomed to the inquiries connected with the income tax, and inquiries to which people are accustomed are much less likely to arouse their antagonism than are those of an unusual nature. There naturally would be numerous large errors but, as in the case of the study of wealth, these would probably tend to offset each other, since some would report too large and others too small a net income. The analysis of income made by the government for purposes of collecting the income tax would doubtless prove extremely valuable to those devising questions for a census schedule. While it might be neces-

sary to make considerable modifications and alterations, the difficulties and mooted points have, at least, been clearly brought to light.

The income receivers would naturally be divided into individuals, partnerships, and corporations. The individuals ought probably to be reclassified on lines identical with those used for wealth. This plan would have the merit of facilitating comparisons of wealth and income.

#### IV.—CHRONOLOGICAL CHANGES IN INCOME

So much for the desired data on income which the census might well attempt to gather in order to clarify the problems of distribution. After such an investigation, we could hope to answer more definitely questions not only concerning distribution among families but also among the factors of production. These elaborate decennial studies are highly desirable in order, first, to give us a well-established base of operation and, later, to serve as guide posts to prevent us from wandering into paths of error. But, in nearly every field of economic activity, noteworthy fluctuations take place between the census years. These fluctuations are largely cyclical in their nature and are of such great importance that the government can ill afford to ignore them to the degree which has been done in the past. To study these cyclical movements, we need not decennial, but rather monthly or at most quarterly, reports. Evidently, this type of study must be carried on by enumerators who are always in the field. For such studies, complete data are not only forbidden by prohibitive expense but are absolutely unnecessary and useless. What is essential, is a collection of samples properly distributed both geographically and industrially.

The sampling for this purpose should be done on the theory of considering each citizen equally important. This means that samples should be collected from each state in proportion to the population; that the urban and rural districts should furnish samples in proportion to the inhabitants residing in each; and that the samples from each industry should be numerous in proportion to the number of workers which the industry employs. Were it not found feasible to apportion the samples in this fashion, the same results might be mathematically obtained by giving to each variety of samples the weights necessary to place all averages upon the basis of numbers of persons.

Stress is here laid upon the apportionment of samples or weights because the continuous statistical studies of the past have been given to overweighting certain classes. It is said that, in the last political campaign, the vision of certain politicians failed to reach beyond the Mississippi. Likewise, the visions of our governmental statisticians have too frequently failed to pass outside the city limits or even outside of certain factory districts. Continuous data concerning wages and hours of labor are confined largely to manufacturing industries and the unionized trades. Unemployment statistics are usually reported for trade unions only. The statistics for the mines, the railways, and the rural districts are woefully inadequate and are almost incomparable with the results set forth by the federal Bureau of Labor Statistics. There is no intent here to reflect upon the competence of the people in charge of the respective fields of inquiry. They doubtless utilize their time and funds to as good advantage as circumstances permit. The present head of the United States Bureau of Labor Statistics deserves the highest commendation for the immense progress made toward putting the work upon a scientific basis, especially as regards the indices of wholesale prices. The criticism is on the lack of organization which permits different bureaus to gather statistics of similar nature and which allows purely technical positions such as those held by chiefs of statistical bureaus to be classified among the political spoils, with the consequent likelihood of quadrennial changes in personnel.

But it is neither necessary nor desirable to discuss further at this time existing statistics. The fruitful thing is to ascertain what new data are really essential for measuring changes in income. Innumerable varieties are desirable—which are of greatest importance? Those that seem to me fundamental are as follows:

- I. A General Weighted Price Index to Measure Changes in the Value of Money with Sub-Index Numbers as follows:
  - A. Wholesale commodities
  - B. Stocks and bonds
  - C. Real estate—urban and rural
  - D. Rents—urban and rural
  - E. Labor per hour—classified by industries and occupations
  - F. Retail prices

The data for this general index number should be weighted as nearly as possible in accordance with the volume of transactions in each field, in accordance with the principles laid down by Professor Irving Fisher.

II. The Hours of Labor per Week

For this purpose, all employees should be divided among the same industrial and occupational classes used for ascertaining the price of labor for the general price index described above. With information available concerning the price of labor per hour and the hours worked per week, we are prepared to tell something concerning the fluctuations in the laborers income.

III. A Consumer's Index of Prices, Subdivided According to the Following Classes of Consumers:

- A. Rich
- B. Upper middle class
- C. Lower middle class
- D. Poor

The consumers' index should evidently have each article weighted in proportion to the amount thereof consumed by the given class. We have long possessed a satisfactory food index number. Beginnings are being made by the United States Bureau of Labor in recording the prices for dry goods and fuel. But dry goods are not the only kind of clothing, and price changes in so narrow a field may be far from typical. A large share of the ordinary consumer's budget fails to appear in any governmental price records. So far as the federal retail price indices are concerned, we do not live in houses, wear coats or shoes or hats, use electric lights, go to the theatres or movies, ride on the street cars or railway trains, read newspapers, or pay doctor bills. In brief, there is no index number in existence which enables us to tell with any reasonable degree of accuracy whether either wages or income in purchasing power are going up or down. The institution of such an average index number seems to me to be the most vital addition to our continuous statistics needed at the present time.

These figures should not only be gathered for the present but should, so far as feasible, be carried back into the past. The obstacles to obtaining standard articles to represent each type of expenditures is great but they may be overemphasized. With patience and sufficient appropriations, it seems entirely practicable to present a consumers' index extending back for at least a couple of decades which would be accurate enough for all intents and purposes. After all, most people are not interested in minutiae and a statistician is, in no sense, in duty bound to present only figures which are accurate to a high degree. The accountant must make his accounts balance to a cent. The statistician needs only to be sure that his figures are accurate enough to answer *truthfully* those questions which they purport to answer at all.

#### IV. Unemployment, Subdivided under the Same Industries and Occupations Used for Wages

This fourth principal record is absolutely essential before we can judge changes in the income conditions of the working classes. It has hitherto been deemed impracticable to collect unemployment data from the workers themselves. This idea seems largely fallacious. In no other manner, can we ever hope to learn very much concerning lack of work among the unskilled and casual workers—the classes who probably suffer most severely from this evil. No employer and no trade union secretary can tell us how many weeks these men were out of work during a given month or year.

To determine variations in the income of any part of the wage-earning class we must then know four things: (1) the wage rate per hour; (2) the hours of labor per week; (3) the number of weeks employed per year; (4) the relative prices of the commodities purchased.

With these four records complete we can picture, with a fair degree of accuracy, the changes in working-class income. The fact is fully recognized that there is much income from other sources but the wage furnishes the only part in which there is marked variation.

It is, moreover, absolutely essential in any study of distribution and price changes to keep separate the above four ideas. To confuse the price of labor, which corresponds fairly closely to the hourly wage, with the daily, weekly, monthly, or annual earnings, all of which are essentially income concepts, is to sound the death knell of all accurate thinking in this field.

My knowledge of the methods used and difficulties involved in collecting this type of data is so meager as compared to that of many members of the American Statistical Association that I hesitate even to make a suggestion along this line, but I have often thought that it might be feasible to collect all of this information by aid of postmen. The city and rural mail-carriers penetrate into nearly every community of the country. They know the people; they could easily ascertain the facts concerning prices, wages, hours of labor, and unemployment; they are men of intelligence; they all report to a central authority; why are they not the logical men to gather the needed data? Of course, they should have some slight extra recompense to pay for performing this new task, but the expense involved should be comparatively trivial.

V.—SUMMARY

The ideas which I have attempted to set forth here might be summed up as follows:

1. We need an enumeration of the most important problems to be solved.

2. The facts necessary to solve these problems should be accurately determined upon.

It would be the legitimate function of a joint committee of the American Statistical and Economic Associations to outline both of the above fields in detail.

3. The present duplication of work in these fields by different state and federal bureaus should be eliminated, all statistical work of this nature being placed under the direction of one central authority.

4. This central bureau should so systematize the work as to give unity and continuity to the entire field. The principal averages of wages, prices, etc., should be presented monthly with a promptness and regularity approaching that which characterizes the appearance of the reports of the Weather Bureau or the index numbers published by financial magazines.

We are fond of boasting of American efficiency and here seems to be an opportunity of demonstrating our claims in this line by putting into operation some such program as the one just outlined. If successfully executed, this would certainly set far to the front a new standard in the field of wealth and income statistics.